

## The complaint

The estate of Mr W complains Zurich Assurance Ltd (“Zurich”) delayed payment of an investment plan’s proceeds and hasn’t offered sufficient compensation.

## What happened

Zurich was told in June 2020 by Mr W’s bank that he had passed away. It cashed in his investment plan on the next working day. The amount payable as a result was in the region of £50,000. Mr W’s estate contacted Zurich shortly afterwards on 22 June 2020.

Zurich accepts it should have then sent the estate details of how to claim the plan proceeds. But it did not actually follow this up until 24 June 2021. As a result, the estate did not claim the plan proceeds until after that time and those proceeds remained in cash throughout.

The estate has sent us a copy of the grant of probate, dated 4 December 2020. Zurich has told us it wouldn’t have released funds to the estate without this.

In August 2021 other investments held or formerly held by the estate were converted into cash by the estate or its beneficiary.

Our investigator suggested Zurich compensate the estate for lost growth from a point shortly after the grant of probate until the August 2021 date other investments had been cashed in. The growth would be measured using the return on other investments held by the estate during that period. For the period after August 2021 our investigator thought Zurich should pay interest at a rate of 8%.

The estate didn’t object to this proposal. Zurich disagreed and wanted instead to pay, both before and after August 2021, interest at 1% above official bank rate. The reasons it gave for this were, in brief summary:

- The funds wouldn’t necessarily have been reinvested in the way the other estate funds were – and it is unfair to frame redress proposals using hindsight.
- The estate could have *“mitigated any loss it felt it was entitled to, by completing its claim against the plan, and this would not have prejudiced any claim it felt obliged to make.”*

As the complaint couldn’t be resolved informally, it was passed to me for a decision. I wrote to the parties with some comments and provisional suggestions concerning redress. In brief, I suggested Zurich pay interest on the plan proceeds at a rate of 1% above official bank rate for the period before the estate obtained probate and at 8% for the period after.

Zurich didn’t provide anything more or reply to me. The estate did reply. In summary it said:

- It is impossible to say how the plan proceeds would’ve been re-invested, bearing in mind things like the difficulty of identifying a new investment matching the plan and the lack of specific documented reinvestment proposals drawn up at the time. But the actions taken with other investments show the plan proceeds wouldn’t have been kept in cash.

- A simple interest award of the kind I had suggested was probably a fair compromise in light of the above. But it wasn't necessarily right to use the actual probate date as the earliest point the plan funds could've been reinvested – because the estate would've got probate sooner if Zurich had told the estate it needed this. The other institutions the estate had dealt with hadn't required sight of probate, so the estate only applied for probate when it came to report for inheritance tax purposes.
- In the months that followed the estate's initial contact with Zurich, when it didn't receive more from Zurich, the estate didn't chase Zurich and assumed the plan was probably a joint life policy. This was generally just an oversight by the estate.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've decided to uphold the complaint and to award the estate compensation along the lines I previously outlined to the parties. I'll briefly explain my reasons.

Zurich ought to have got in touch with the estate shortly after the estate's June 2020 contact with Zurich. Zurich's failing delayed the release of the funds to the estate, and it held onto the funds during the delay.

In my view Zurich's suggestion that it pays interest on the plan proceeds and at a rate of 1% above official bank rate, rather than a higher rate, is fair and reasonable for the period before probate was available - because until then the plan proceeds would have remained in cash and could not have been reinvested or applied in some other way by the estate.

Once probate was available, the plan proceeds could have been reinvested or applied in various ways by the estate. It's not clear exactly what the estate might have chosen to do. The estate gave Zurich no indication during the delay as to how it wanted to use the plan proceeds. With those points in mind, I think it fair and reasonable that Zurich pays the estate simple interest on the plan proceeds from that point at the rate of 8% per year. I've seen nothing overall to suggest a different rate would better reflect the value to the estate of its loss of use of the funds.

Interest should apply until the funds are paid. I've not seen anything to suggest that Zurich suggested to the estate that if it accepted a payment it could still pursue its complaint about compensation for loss of return. I don't think the estate acted unreasonably in pursuing its complaint in the way that it has.

I've carefully considered the estate's point that probate would likely have been obtained earlier if Zurich had made the estate aware this was needed. I've considered also that the estate did not chase up Zurich during that period – and this wasn't due to any fault or failing by Zurich. With all this in mind I think using the actual date probate was obtained is fair.

### **Putting things right**

To put things right, Zurich Assurance Ltd should:

A) Pay the estate of Mr W the plan proceeds plus interest at the rate of 1% above official bank rate from the date the plan was disinvested until 4 December 2020.

B) Pay the estate of Mr W simple interest on (A) above at the rate of 8% per year from 4 December 2020 until the date of my decision.

C) If Zurich Assurance Ltd has already paid the estate of Mr W any part of the plan proceeds or interest on this, Zurich Assurance Ltd may deduct this from the sums due above.

D) If Zurich Assurance Ltd doesn't pay my award within one month of receiving from us notification of the estate of Mr W's acceptance of my decision, Zurich Assurance Ltd should also pay the estate of Mr W simple interest on the outstanding sums at the rate of 8% per year from the date of my decision until to date the sums due are paid to the estate of Mr W.

### **My final decision**

For the reasons I have given, I uphold the estate of Mr W's complaint. Zurich Assurance Ltd must put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr W to accept or reject my decision before 1 December 2022.

Richard Sheridan  
**Ombudsman**